United Nations A/55/331

General Assembly

Distr.: General
25 August 2000

Original: English

Fifty-fifth session
Item 97 (c) of the provisional agenda*
Environment and sustainable development

Implementation of the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa

Report of the Secretary-General**

I. Introduction

1. In its resolution 54/223, the General Assembly requested the Secretary-General to report to it at its fifty-fifth session on the implementation of that resolution and on the outcome of the third session of the Conference of the Parties to the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa.

II. Implementation of General Assembly resolution 54/223

A. Headquarters agreement

2. The agreement concerning the headquarters of the Convention secretariat was signed by the Government of Germany, the United Nations and the Convention's secretariat on 18 August 1998. The Government of Germany had issued an ordinance, which became effective on 23 October 1998, implementing major parts of the headquarters agreement under German law, and on 8 July 1999 the headquarters agreement entered into force (ICCD/COP(3)/8).

3. The Conference of the Parties, at its third session, noted with satisfaction that the headquarters agreement had entered into force and expressed its appreciation to the Government of Germany for its commitment to facilitating the establishment of the Convention secretariat in Bonn.

B. Programme and budget for the biennium 2000-2001

4. The Conference of the Parties considered the programme budget proposed by the Executive Secretary for the biennium 2000-2001 (ICCD/COP(3)/2 and Add.1), the report on the financial performance of the Convention budget for 1999 (ICCD/COP(3)/4 and Add.1 and 2), and the report on the status of the trust funds in 1999 (ICCD/COP(3)/3 and Add.1).

5. The Conference of the Parties approved the Convention core budget for the biennium 2000-2001,

* A/55/150.

** The footnote requested by the General Assembly in resolution 54/248 as to why a report is submitted late was not provided.

00-62561 (E) 021000

including the budget line for the Global Mechanism to the Convention. The Conference of the Parties did not, however, include provisions for its conference-servicing costs on those of its subsidiary bodies, on the understanding that the General Assembly had acceded to the request of the Conference to pay for those costs. It should be recalled in that regard that the General Assembly decided in paragraph 18 of resolution 54/223 to "... include in the calendar of conferences and meetings for the biennium 2000-2001 the sessions of the Conference of the Parties and its subsidiary bodies, including the fourth and fifth ordinary sessions of the Conference of the Parties and the meetings of its subsidiary bodies". The Conference of the Parties also adopted the indicative scale of contributions for 2000 and adjusted it insofar as it is based on the United Nations scale of assessment so as to ensure that no Party contributes less than 0.001 per cent of the total, that no one contribution exceeds 25 per cent of the total and that no contribution from any of the least developed countries exceeds 0.01 per cent of the total.

C. Consideration of reports on implementation of the Convention

6. Following the adoption of decisions 10/COP.1 and 10/COP.2 on review of the implementation of the Convention and decision 11/COP.1 on procedures for the communication of information and review of implementation, the Conference of the Parties at its third session considered reports submitted by affected African country Parties, subregional organizations, developed country Parties, United Nations organizations, intergovernmental organizations and non-governmental organizations on the implementation of the Convention, and the compilation and synthesis of those reports by the secretariat.

7. Over 40 reports were submitted by African countries, reflecting the high level of priority given by the African region to the Convention implementation process. Accordingly, the Conference of the Parties welcomed the progress made in affected African country Parties, demonstrating the considerable range of activities and efforts, particularly in the elaboration, adoption and implementation of action programmes.

8. While addressing the subregional reports, the Conference of the Parties recognized the important role played by African subregional and regional organizations in the elaboration and implementation of national regional and subregional action programmes. It further recognized that the subregional and regional action programmes are potential tools for addressing sustainable management of transboundary natural resources and promoting initiatives where increased efficiency can be obtained through joint action.

9. The Conference of the Parties also appreciated the support provided by several developed country Parties for activities related to combating desertification and/or mitigating the effects of drought. However, it stressed the need to differentiate clearly the contributions allocated for combating desertification and mitigating the effects of drought from other official development assistance. The Conference of the Parties called upon developed country Parties to improve their reports on measures taken to assist affected developing country Parties in the implementation of the Convention and to submit their reports in a timely fashion for consideration by the Conference of the Parties.

10. Regarding the reports submitted by the organizations of the United Nations system and by intergovernmental organizations, the Conference of the Parties recommended that the experience and lessons learned by the specialized agencies should be disseminated to all relevant forums and stressed the importance of the coordination of technical work between the specialized agencies and the secretariat.

11. The Conference of the Parties also expressed its appreciation for the reports and case studies presented by non-governmental organizations, essentially through the national report of the concerned country, on their activities in the implementation of action programmes, particularly national action programmes. The Conference of the Parties reaffirmed the special role and contribution of civil society in the formulation and implementation of measures to combat desertification.

D. Procedure for reviewing implementation of the Convention

12. In response to the remarkable number and quality of the reports submitted by the affected African country Parties, the Conference of the Parties decided to establish an ad hoc working group to review and analyse in depth, at its fourth session, reports submitted at its third session and reports that will be submitted at its fourth session, in order to draw conclusions and

propose concrete recommendations on further steps in implementation of the Convention.

13. Further, the Conference invited the Committee on Science and Technology and the Global Mechanism to provide advice and information to be used for reviewing the implementation of the Convention at its fourth session. The Conference also invited Parties and other interested institutions and organizations, including non-governmental organizations, to submit written proposals and suggestions on the need for the establishment of a committee to review the implementation of the Convention no later than 30 April 2000, to be compiled, summarized and circulated by the secretariat in order to develop further the existing review system and to facilitate consideration, and to take a decision on this issue at its fourth session and, if necessary, at its fifth session.

E. Global Mechanism: first review

14. The Conference of the Parties reaffirmed that the first priority for the Global Mechanism is to develop its operations as a demand-driven mechanism to facilitate the mobilization and channelling of substantial financial resources for the elaboration and implementation of action programmes, particularly national action programmes, projects and national reports. The Conference of the Parties underlined the necessity for the Global Mechanism to promote and facilitate multisource and multichannel financing for the implementation of the Convention by providing affected developing countries with practical and operational advice on linking the financing needs of action programmes with existing and potential sources of financing and facilitating the financing of national reports.

15. The Conference of the Parties also decided to give further consideration to the operational strategy of the Global Mechanism at its fourth session and requested the Managing Director to prepare a document in that regard based on comments, suggestions and proposals made during the third session and on written submissions by the Parties, received no later than 31 March 2000, and to submit that document for consideration and a compendium of submissions. Finally, the Conference of the Parties recommended that the Global Mechanism develop, as part of its operational strategy for consideration by the Conference at its fourth session, an information and communication strategy which will aim to facilitate contact with Parties and other actors, increase awareness of the Convention, and promote participation in its implementation.

F. Memorandum of understanding between the Conference of the Parties and the International Fund for Agricultural Development

16. The Conference of the Parties approved a revised draft memorandum of understanding between it and the International Fund for Agricultural Development (IFAD) regarding the modalities and administrative operations of the Global Mechanism.

G. Recife Initiative

17. The Conference of the Parties underlined the necessity to formulate, for consideration and adoption at its fourth session, a declaration on the commitments under the Convention to enhance the implementation of the obligations defined in the Convention, to be called the Recife Initiative, or the Recife Declaration. The Conference of the Parties also agreed on the fact that the declaration should cover an agreed period and be focused on a limited number of specific thematic and sectoral areas to be consistent with action programmes under the Convention.

18. Accordingly, the Conference invited all Parties, relevant international organizations and non-governmental organizations to submit their written proposals and/or suggestions for the text of the declaration to the secretariat no later than 30 April 2000. Consequently, the Conference of the Parties requested the Executive Secretary to formulate a draft declaration and to circulate it, together with a compilation and a synthesis of proposals and/or suggestions, to all Parties at least eight weeks prior to its fourth session.

H. Additional regional implementation annex for Central and Eastern Europe

19. Following the adoption by the General Assembly, at its fifty-third session, of resolution 53/191, the Conference of the Parties agreed to facilitate a

consultative process for the elaboration of an additional regional implementation annex to the Convention for the countries of the Eastern and Central Europe region.

20. Countries of Eastern and Central Europe were invited to pursue consultations with a view to producing a draft additional regional implementation annex to the Convention, for consideration by the Conference of the Parties at its third session.

21. The Conference of the Parties, at its third session, invited the countries of Central and Eastern Europe and all Parties to the Convention to continue, under the auspices of the Bureau, the process of consultations on the draft additional implementation annex, with a view to adopting it at its fourth session.

I. Action by States

22. In paragraph 3 of resolution 54/223, the General Assembly called upon all countries that were not yet parties to the Convention to ratify or accede to it as soon as possible.

23. As of 15 June 2000, instruments of ratification, acceptance, approval or accession had been deposited by the European Community and the following 167 States: Afghanistan, Albania, Algeria, Angola, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Barbados, Belgium, Belize, Benin, Bolivia, Botswana, Brazil, Burkina Faso, Burundi, Cambodia, Cameroon, Canada, Cape Verde, Central African Republic, Chad, Chile, China, Colombia, Comoros, Congo, Cook Islands, Costa Rica, Côte d'Ivoire, Cuba, Cyprus, Czech Republic, Democratic Republic of Congo, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Eritrea, Ethiopia, Fiji, Finland, France, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hungary, Iceland, India, Indonesia, Iran (Islamic Republic of), Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kiribati, Kuwait, Kyrgyzstan, Lao People's Democratic Republic, Lebanon, Lesotho, Liberia, Libyan Arab Jamahiriya, Liechtenstein, Luxembourg, Madagascar, Malawi, Malaysia, Mali, Malta, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia (Federated States of), Monaco, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nauru, Nepal, Netherlands, Nicaragua, Niger, Nigeria, Niue, Norway, Oman, Pakistan, Palau, Panama, Paraguay, Peru, Philippines, Portugal, Qatar, Republic of Korea, Republic of Moldova, Romania, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Sao Tome and Principe, Saudi Arabia, Senegal, Seychelles, Sierra Leone, Singapore, Solomon Islands, South Africa, Spain, Sri Lanka, Sudan, Suriname, Swaziland, Sweden, Switzerland, Syrian Arab Republic, Tajikistan, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, Uruguay, Uzbekistan, Vanuatu, Venezuela, Viet Nam, Yemen, Zambia, Zimbabwe.

III. Arrangements for the fourth session

24. At the last meeting of its third session, the Conference of the Parties adopted decision 22/COP.3 by which it decided that the fourth session of the Conference would be held in Bonn, Germany, from 16 to 27 October 2000. Any offer from a Party to host the fourth session would be accommodated until 29 February 2000.

25. The Government of Australia expressed to the secretariat its interest in hosting the fourth session in Adelaide, by a notification dated 29 February 2000, and requested that the dates of the session be changed to 25 September-6 October 2000. The Bureau, at its first intersessional meeting, decided to accept the offer of Australia, with the new dates, and requested the Executive Secretary to enter into consultations with the Government for the organization of the session.

26. Unfortunately, on 30 May 2000, the Government of Australia informed the secretariat of difficulties it would face in hosting the session.

27. Consequently, the fourth session of the Conference of the Parties was rescheduled at the International Congress Centre Bundeshaus in Bonn. The Bureau and the secretariat were unable to book a facility there for the original dates; therefore the fourth session will be held from 11 to 22 December 2000. The Bureau is well aware of the relevant provisions of General Assembly resolution 52/445 and the difficulties that the December dates may present. The alternative would be not to hold a session of the

Conference in the year 2000, which is contrary to the provisions of the Convention. The Bureau is of the view that the importance of the Convention supersedes all calendar considerations.

IV. Action requested of the General Assembly

28. The General Assembly may wish to reiterate its appeal to the States that have not yet ratified the convention to do so as soon as possible.

29. In accordance with the institutional arrangements between the Conference of the Parties and the United Nations, the General Assembly may also wish to request the Secretary-General to include a provision in preparing the programme budget for the biennium 2002-2003 regarding the conference-servicing costs of the sixth session of the Conference of the Parties and its subsidiary bodies.

30. The General Assembly may further wish to consider requesting the views of the Conference of the Parties to the Programme for the Further Implementation of Agenda 21.

United Nations A/55/332

General Assembly

Distr.: General
24 August 2000

Original: English

Fifty-fifth session
Item 94 (b) of the provisional agenda*
Macroeconomic policy questions: commodities

World commodity trends and prospects

Note by the Secretary-General**

The Secretary-General has the honour to submit to the General Assembly, as requested in its resolution 53/174 of 15 December 1998, the attached report, which was prepared by the United Nations Conference on Trade and Development.

* A/55/150.
** This report was submitted on 24 August in order to include data covering the first half of 2000.

00-62512 (E) 210900

Report by the United Nations Conference on Trade and Development on world commodity trends and prospects

Contents

		Paragraphs	Page
I.	Introduction	1–3	3
II.	Recent developments in the world commodity economy	4–24	3
	A. Commodity prices	4–7	3
	B. Global commodity trade and consumption	8–12	4
	C. Developing countries in world commodity production and trade	13–24	6
III.	Market structures and the commodity economy	25–44	8
	A. The international level	28–32	8
	B. Commodity-exporting developing countries	33–42	9
	C. Retail markets of importing countries	43–44	11
IV.	Recent developments in international cooperation on commodities	45–46	12
V.	Conclusions	47–50	12

Tables

1.	Current and deflated (by unit value of manufactures exported by developed countries) price indices for commodity groups, 1970-2000	15
2.	Distribution of world commodity trade 1970-1972, 1980-1982, 1990-1992, 1996-1997	16
3.	Shares of cocoa-producing and cocoa-importing countries in world exports	17
4.	Trade trends in chocolate and chocolate products	17

I. Introduction

1. The importance of commodities in world trade is declining, and developing countries are losing their share in world commodity trade, even for their traditional export products. Except for a few successful countries, many have not been able to capture significant market shares in, or even enter, the rapidly growing markets for high-value agricultural products and processed items. Massive agricultural support in developed countries has been an important factor in this respect. The loss in shares and the failure to penetrate dynamic markets are especially marked for African countries, the least developed countries and the African, Caribbean Pacific group of countries. The historically extremely low prices for commodities aggravate the negative impact of this situation on the economies of commodity-dependent countries. Increasing yields have not counterbalanced these impacts for agricultural products, and in metals and minerals, cost reductions have been substantial. Moreover, the margins between international prices for commodities and the final prices paid by consumers are widening, and a smaller proportion of the value of the final product goes to the producing countries.

2. The concentration on the demand side of world commodity markets is continuing, while State participation in developing countries' agricultural sectors is radically reduced. Mainly as a result of the latter, the domestic provision of some crucial services has been hampered, and purchasing firms with large financial resources have been able to penetrate deep into the marketing and production structures in developing countries. Although this opens up opportunities for export-oriented enterprises in developing countries, it also generates important new challenges for them, requiring much more sophisticated business skills.

3. In the present report, an attempt has been made to identify and review the issues currently affecting commodity markets and commodity-exporting developing countries. Section II provides information on the declining trend and current collapse of commodity prices and an overview of the evolution of world commodity trade since the 1970s. Section III reviews the changes in market structures, emphasizing the twin trends of concentration in global markets and liberalization in producing countries, and examines the impact of these trends on commodity-exporting countries. The final section reviews recent developments in international cooperation on commodities.

II. Recent developments in the world commodity economy

A. Commodity prices

1. Evolution of commodity prices, 1970-2000

4. As of mid 2000, the prices of soft commodities (i.e., all commodities, excluding minerals and metals, and petroleum) have remained, in nominal terms, at their lowest levels in many years. As seen in table 1, one has to go back to 1993 to find as low an annual average price index for tropical beverages, to 1990 for vegetable oilseeds and oils, to 1987 for basic foods, to 1985 for agricultural raw materials, and to 1986 for the combined index (which includes minerals and metals but not petroleum).

5. In terms of deflated prices, the situation is much worse. This is a continuation of a trend that has been observed over long periods of time. For example, *The Economist*'s industrial commodity price index fell in 1999 to its lowest level in real terms (adjusted by the United States GDP deflator) since the start of the series in 1845.

6. Developments over the past three decades show that this long-term trend has continued and become more pronounced. As an average for 1999, the combined index, deflated by the price index of manufactured exports of developed countries, was at one half of its annual average for the 1979-1981 period, which was about the same as the average for 1970. For tropical beverages and basic foods, the decline was steeper. Their deflated price indices were, respectively, at 43.4 and 43.5 per cent of their average levels in 1979-1981. For all groups, the trend lines for deflated price indices show considerable price declines. The annual rate of decline in real prices, calculated along the exponential trend, reaches 3.6 per cent for vegetable oilseeds and oils and 3.4 per cent for tropical beverages. Even the best performing group in terms of prices — namely, agricultural raw materials — exhibits an annual rate of decline of 1.7 per cent. The decline in the overall index is 3 per cent. It is interesting to note that the two groups for which the developing countries account for the largest shares in world exports — namely, tropical beverages and vegetable oilseeds and oils —

show the highest rates of decline in prices (at around 3.5 per cent per year); while the two groups where the developing countries have the smallest share in world exports — namely, agricultural raw materials and minerals and metals — exhibit the lowest rate of price decline.

2. Increasing gap between international and consumer prices

7. The sharp and persistent declines in world prices have not been reflected in the prices paid by consumers. One of the reasons is the small part that is accounted for by commodities in the prices of final products. Moreover, the relationship of raw material prices with retail prices — for example, between world market price for coffee and retail coffee prices — is, in general, asymmetrical; that is, retail prices for individual products often go up when international prices increase but do not come down in the opposite case. A related development is the drastic increase in the difference between the international price of the unprocessed agricultural product and that of the final good. A 1976 study by the UNCTAD secretariat[1] had found that the proportion of the final consumer price received by developing exporting countries for several raw materials and commodities had been generally and steadily decreasing during the period 1955-1973, in particular for tea, cocoa, groundnut oil, fresh oranges, bananas, and jute, and that there was often very little correlation between the movement of the two prices. Several recent studies[2] confirmed these results for the period since the early 1970s. They found that in developed countries, the spread between international prices, or import prices, and domestic retail prices widened since the early 1970s and at an accelerated rate in the 1980s.[3] Import taxes as well as domestic logistics costs have fallen, so the only factors that can explain this tendency are the relative weight and growth of other marketing and distribution costs in the value-adding process beyond the import price, or the market power of intermediary companies. A review of the coffee markets by the UNCTAD secretariat has shown that in countries where concentration in the coffee market is greater, the gap between international and retail prices has increased more than that in countries where the concentration is low. The clear implication of all this is that the producing countries obtain a decreasing proportion of the retail value of the final product. Moreover, this tendency, and the asymmetry just mentioned, have worked against potential increases in consumption that could have been generated had retail prices declined with international prices.[4]

B. Global commodity trade and consumption

8. Over the past three decades the share of non-fuel commodities in world trade has been declining. It dropped from 25.5 per cent in 1970-1972 to 18.1 per cent in 1980-1982, the steepness of the drop reflecting the sharp rise in the relative price of petroleum. Since the early 1980s, it dropped further, reaching 14.1 per cent in 1996-1997. Between 1980 and 1995, world trade in agricultural products grew, in value terms, at 4.7 per cent per year, and world trade in mineral commodities at 4 per cent, both considerably slower than the growth in trade of manufactured products, which was 8.6 per cent.

9. The decline in relative prices of commodities and a "double counting" of manufactures trade have both contributed to the difference in growth rates of trade between commodities and manufactures. Since manufacturing has become more international over the years and different stages of processing increasingly take place in different countries, the "double counting" of manufactures trade has increased, reducing misleadingly the relative importance of commodities.[5] Moreover, an important characteristic of the commodity sector is the relatively high proportion of value-added which is created domestically in this sector, compared with other economic activities which are much more dependent on imported inputs. Thus the contribution to the economy of a dollar earned through commodity exports, particularly in processed forms, is likely to be higher than that earned through manufactured exports using imported inputs. These factors, together with the strong dependence of a large number of developing countries on this sector for the generation of the foreign exchange and savings necessary for development, render the importance of commodity trade to development higher than is apparent in world trade figures. During the depths of the Asian crisis, in several of the crisis-stricken countries the export-oriented commodity sector, which is much less dependent on imported inputs than manufactures, emerged relatively unscathed and in many instances even benefited from the crisis in terms of profits in domestic currencies. It provided relatively

good employment and earning opportunities for a considerable part of the population.

10. Developments in consumption and international trade differ significantly between commodity subsectors, with some showing more positive growth than others. In this connection, the impact of changes in the composition of demand is particularly evident for food commodities. In developed countries, the consumption and trade of high-value products such as fresh fruit and vegetables, many kinds of processed foods, in particular "convenience foods", and certain niche items, such as organically grown products, is rapidly increasing. For example, the proliferation of snacks containing chocolate has been a crucial factor behind the relatively fast growth of demand for cocoa. In developing countries as well, as incomes grow, the pattern of food consumption changes, increasing the demand for a different group of "high-value" products such as vegetable oils and meat, for which demand in the industrialized countries is stagnating. In the past 25 years, for all developing countries combined, per capita consumption of meat, eggs and milk has risen by about 50 per cent per person. It remains, however, still at about one quarter that of the developed world average,[6] indicating the consumption potential that exists not only for meat but also for all sorts of commodity-based feedstuffs such as grains and oil cakes. Considering raw materials, competition from synthetics and composite materials is a restraining factor for growth in demand, but many commodities have favourable natural qualities that give them a competitive edge over substitutes.

11. Studies that forecast the future market situation for commodities confirm that demand for various products, particularly food, is expected to rise. Recently, earlier forecasts had to be revised[7] because of the Asian crisis, which reduced demand in the region with the highest growth over the past two decades.[8] Thus, whether, and how quickly, the impact of the crisis is overcome will significantly affect future developments. If the negative impact of the Asian crisis is totally eliminated, between 1993 (the base year) and 2020, world cereal demand would increase by 42 per cent, with developing countries accounting for 84 per cent of the increase, and Asian developing countries contributing about half of the total. This increase is expected to be slower than in the recent past, mainly due to a relative shift in consumption away from basic staple cereals and the slowing down of population growth. In South Asia, however, per capita cereal demand should increase fastest, because of strong income growth and relatively high income elasticities of demand. The strongest increase in demand in developing regions is for maize and other coarse grains, for feed. If the impact of the Asian crisis is not overcome soon, cereal demand may not increase. It may actually decline if the impact stays on and is strong. Similar results are found for livestock products as well. In all scenarios, simulations show that global food production will grow fast enough for world prices of most cereals and meat to continue to fall in real terms. A radical change in the agricultural and export support policies of developed countries may change the picture. World trade in food is expected to rise rapidly, with primary impetus for expanded trade being generated by the group of developing countries increasing its food imports from developed countries. In a strong growth scenario, net cereal imports by developing countries are projected to increase by nearly 150 per cent by 2020 over 1993 volumes. A main beneficiary is likely to be the United States of America whose cereal exports are expected to increase by nearly 60 per cent. Two important points regarding these forecasts can be emphasized. The first is that Africa, which has the lowest levels of per capita consumption, does not figure as an area where growth in demand is expected to be high. Secondly, the main beneficiary of the growth in demand is the developed countries, particularly, the United States.

12. Demand for minerals and metals is determined by the raw material needs of industrial production and construction activities. However, the relationship is not entirely stable and is affected by the product composition of output as well as by changes in technology and the prices of other inputs to the production process. Thus, as a result of the increases in energy prices in the 1970s the mineral intensity of manufacturing declined significantly in the 1970s and 1980s. In contrast, during the 1990s, commodity intensity of GDP for major metals has been roughly constant, according to most estimates.[9] This means that global demand for metals has grown at a rate about equal to that of world GDP. The rate of recycling, however, has increased during the same period, and consequently, the demand for primary metals has grown at a slightly lower rate.[10]

C. Developing countries in world commodity production and trade

13. During the 1970s and 1980s the shares of developing countries in world exports of commodities declined. Based on three-year averages, their share (excluding China and the former socialist countries of Asia), which was 31.5 per cent in 1970-1972, fell to 25.4 per cent in 1990-1992, to rebound somewhat in the 1990s to 27.4 per cent (see table 2). The pattern was similar both for agricultural products and for metals and minerals.

14. It is significant to note that the countries that depend most on commodities for their export earnings are generally those which have experienced the most important losses of market shares on world commodity markets. Thus, whether for Africa as a whole or for sub-Saharan Africa or for the African, Caribbean and Pacific countries or for the least developed countries, there was no rebound in the early 1990s, and the decline was particularly sharp. For example, Africa's share of the total value of world commodity exports continuously declined from 8.6 to 3.0 per cent between 1970-1972 and 1996-1997. During the same period, the least developed countries' share in world commodity exports declined from 4.7 to 1.2 per cent. If the same shares were maintained as in 1970-1972 (and abstracting from any impact this might have had on world prices), Africa's average annual export earnings in the period 1996-1997 would have been $41.5 billion higher than they were. For the least developed countries, the difference would have been $26 billion. At the same time, the major manufactures exporters among developing countries increased their share of world commodity exports from 9 to 12 per cent, while the European Union increased its share from 28 to 37 per cent. In absolute terms, between 1970-1972 and 1996-1997, the average annual value of Africa's commodity exports has increased from $8 billion to $22 billion, while that of the European Union increased from $26 billion to $276 billion.

15. In the same period, developing countries globally became net commodity importers. The major manufactures exporters among them were the most dynamic market for commodities: they multiplied their commodity imports by over 21 times, from an annual average of $5 billion in 1970-1972 to $113 billion in 1996-1997. Only Latin America and sub-Saharan Africa still have significant surpluses in their non-fuel commodity trade balance. Several developing countries, particularly in Africa, continue to be highly dependent on food imports, and their import dependence for food has even increased.

1. Agriculture

16. In agriculture, production grew faster in developing countries than in developed countries.[11] Much of the increased production in the former was domestically consumed, however, while that in the latter was mostly directed to export markets. This is one of the principal factors behind the decline in developing countries' share in world agricultural exports, from 31.7 per cent in 1970-1972 to 25.4 per cent in 1990-1992. By 1996-1997, it had increased again to 27.4 per cent, a figure, nevertheless, smaller than 25 years earlier.

17. There is a significant divergence in the experiences of different regions. The share of Africa in world exports declined dramatically for food items and agricultural raw materials, while Asia increased its share for food items, and developing America, for agricultural raw materials. For items for which the shares of developing countries have increased significantly, this can often be attributed to a large surge in the exports of a few countries where an important push has been undertaken. Examples include exports of poultry by Brazil, vegetable oils by Malaysia and Indonesia, and rice by Viet Nam.

18. It is observed that, in general, developing countries that process their raw materials rather than exporting them in raw forms have found the commodity sector to be a positive factor for their development, and they take measures to maintain or improve their commodity production. In this vein, Malaysia, which processes nearly half of its rubber, intends to stem the decline in its output, which has fallen by half in a decade as planters switched to palm oil. By contrast, Indonesia, which exports 92 per cent of its output in raw forms, wants to reduce output by cutting down old trees.[12]

19. Developed countries gained much ground in world markets for agricultural products, while restricting access to their markets, as a result of massive subsidies provided to their producers and exporters. They also captured the bulk of the rapidly growing trade in processed food products. Recently, it was in this latter area that growth has been particularly

impressive. Between 1980 and 1996, the annual growth of exports by the Organisation for Economic Cooperation and Development (OECD) countries of primary agricultural commodities and processed agricultural products was, respectively, 2.5 per cent and 6.5 per cent.[13] The latter group of high value-added items includes products requiring significant blending, processing and marketing activities, in particular marketing under brand names. These are the products with more dynamic markets in recent years. Regarding tropical beverages, for example, developing countries' share in world exports (of raw and processed forms) declined from close to 85 per cent in the early 1970s to about 55 per cent in the early 1990s. Over the past 15 years, Germany's share in world coffee exports has risen from about 1 per cent to about 5 per cent, and in tea exports, its share, which was less than one half a per cent, has increased five times. A similar development can be observed for spices. The share of the European Union (EU), which used to be around 10 per cent in the early 1980s, has now surpassed 15 per cent.

20. A brief review of the cocoa sector illustrates this situation. The share of cocoa-producing countries in world exports declines as the stage of processing increases. In 1997-1998, for cocoa beans, cocoa liquor, cocoa butter, cocoa powder and chocolate, the shares of those countries were, respectively, 90 per cent, 44 per cent, 38 per cent, 29 per cent and 4 per cent (see table 3). Moreover, over a 15-year period, the shares of those countries in world exports at all stages of processing have declined. Regarding the most lucrative stage of the cocoa product chain — namely, chocolate — in the 1990s, developed countries increased the quantity of their exports much faster than that of imports (table 4). There has, however, been a recent increase in the share of developing countries in world chocolate exports, accounted for by a recovery of exports from Côte d'Ivoire and Mexico and by relatively new entrants into the market, such as Indonesia and the Philippines. Nevertheless, this has merely brought the developing countries' share back to the meager 4 per cent of the world market which they held in the mid 1980s.

21. Liberalization of agriculture pursuant to the Uruguay Round could be expected to reinforce the recent increase in the shares of developing countries in world agricultural exports although, as mentioned above, for increased trade in food products the main beneficiaries in absolute terms will be the developed countries. Despite the fact that five years have elapsed since the conclusion of the Uruguay Round, however, agricultural support measures in developed countries, which have been instrumental in their increased shares in agricultural exports and had detrimental impacts on developing countries, have not declined but have, in fact, increased. It is also very likely that these subsidies have contributed to the slowness of producers' response to price falls in recent crises.

22. In the OECD countries, total agricultural support increased from $328.8 billion in 1997 to $352.1 billion in 1998 and to $361.5 billion (provisional figure) in 1999.[14] This makes total agricultural support almost 10 times the net official development assistance (ODA) flows from Development Assistance Committee (DAC) countries to developing countries, which had declined from $47 billion in 1990 and 1995 to $38.5 billion in 1998, more than twice the foreign direct investment (FDI) flows to developing countries which amounted to $166 billion in 1998, and almost two thirds of total world agricultural trade in 1998, which was $553 billion.[15] As an average, farmers in the EU, Japan and the United States received around $20,000 of support in 1998. As a share of gross farm receipts, subsidies rose from 31 per cent in 1997 to 40 per cent in 1999, and this share is now, in percentage terms, back to where it was in the mid 1980s. On average, it is expected that farmers in OECD countries will earn about two thirds more in 1999 than they would have had they sold their produce at world market prices and received no budgetary support.

23. Another support measure which acts as a constraint on expansion of exports by developing countries is the minimum import prices used by the EU for the fruit and vegetable sector. Apples, mandarins, lemons, tomatoes, cucumbers and courgettes are subject to such arrangements all year, and various other products of export interest to developing and other countries for specified periods.

2. Minerals, ores and metals

24. Regarding ores and minerals, the rebound in world export shares of developing countries during the 1990s can be attributed to a rapid increase in developing countries' share of world production in the 1990s (except Africa's), mainly as a result of an expansion of foreign investment, particularly in Latin America. From 1990 to 1995, the share of developing countries in the value of total non-fuel mineral

production at the mining stage increased from 46.6 per cent to 55.2 per cent. The increase was particularly rapid for metals, including gold. The increase can be expected to continue, since exploration, which is a good indicator of future mineral investment and production, has shifted geographically from developed to developing countries. While in 1991, three developed countries (Australia, Canada and the United States) accounted for 61 per cent of exploration-spending by large mining companies and Africa, Latin America and developing countries in the South-East Asia/Pacific region accounted for 35 per cent, by 1998 the proportions had changed to 37 per cent and 56 per cent, respectively.[16] Developing countries have also been able to increase their share of world production of refined metals, which has grown steadily for several decades and is approaching their share for unprocessed minerals.[17] The increase in the production share of developing countries for minerals and metals illustrates how these countries have been able to use their comparative advantage, unlike agriculture, where subsidies and other support policies generate monumental distortions that limit developing countries' ability to enter many markets. Due to increased processing in developing countries, both of ores to metals and of metals into semi-fabricated products, the share of those countries in world exports of unprocessed forms has increased less than the share in production.

III. Market structures and the commodity economy

25. The manner in which the world commodity chains are organized, particularly for agricultural products, is undergoing significant change, from production in exporting countries to the retail level in consuming markets.

26. This evolution can be reviewed at three levels — namely, the international markets; developing commodity-exporting countries; and importing countries. The common denominator of all three is a closer integration of international trade and production through the penetration of large transnationals and distribution companies, such as supermarket chains, into the agricultural supply structures of developing (and developed) countries. A few decades ago, the dominance of large companies in the world commodity economy was principally through their actions on international markets. Now, increasingly, it is also through their direct influence on what is produced, and how. While unprecedented opportunities may be opening up for some producers and exporters, benefiting from this trend and avoiding its negative impacts requires much greater business skill on the part of developing country Governments and entrepreneurs.

27. In spite of the difficulties of competing in international markets, examples of successful firms from developing countries are not scarce. For example, Charoen Pokphand Group (CP) of Thailand is a major player in world poultry and shrimp markets. It has exported its management techniques and feed knowledge to Mexico, with the advantages related to NAFTA membership and proximity to the United States. It has marketing offices in 10 countries outside Thailand.[18]

A. The international level

28. At the international level, there is a continuing concentration of trade and vertical integration of large firms. In the first half of 2000, the food industry was the third largest sector after telecommunications and film production and distribution in terms of the value of cross border mergers and acquisitions. The deals in the food industry amounted to almost $150 billion.[19] Large mergers and acquisitions are observed in the metals and minerals industry as well. In 1998 the value of mergers in this sector reached $25 billion, up from $12 billion in 1996.[20] In 2000 Alcoa merged with Reynolds, reinforcing the concentration in the aluminium industry.

29. Recent estimates indicate, for example, that in 1996, five transnational corporations accounted for close to one half of world trade in green coffee, up from about 37 per cent in 1980. In coffee roasting and manufacturing, concentration is somewhat higher, and it is four groups that account for one half of the market. For cocoa, in 1980 there were over 30 trading houses in London, and now this number has been reduced to around 10. After a series of mergers, for example, the six largest chocolate manufacturers account for 50 per cent of world sales. For vegetable oils, again a series of mergers and acquisitions in the 1990s led to the dominance of a small number of vertically integrated transnational corporations in the production, distribution and international trade of both oilseeds and oils. In grains as well, consolidation is under way, with

the few big companies transforming themselves into integrated businesses encompassing trading, storage, processing and milling. In early 1999, the largest grain exporter in the United States, Cargill, bought Continental's grain merchandising operation (which was the second largest). In soya processing, four firms control 80 per cent of the industry in the United States. In Brazil, four firms control 60 per cent of the industry, and in Argentina six firms control 65 per cent.[21]

30. Another important change in the operation of international markets is the disappearance of traders. Traders used to act as a bridge between buyers and sellers, who were largely ignorant of each other and of prices. Communications technology, including the Internet, has now closed this gap. Buyers and sellers can find each other much more easily and communicate instantaneously, increasing competition and cutting profit margins for traders.

31. Intensified competition favours those with access to cheaper finance and good logistics. Being big provides advantages on both counts. With deregulation and the disappearance of marketing boards, large companies with warehousing and shipping facilities in the producing countries are able to exploit their financial and logistical advantages, even buying the produce directly from the farmer.[22]

32. The current setting is characterized by the need for greater capital resources, sophisticated technology, including information technology, and human skills for competing in the more open but more sophisticated markets. Developed country firms are patently at an advantage in all these respects.

B. Commodity-exporting developing countries

1. Liberalization, production and trade

33. At the level of commodity-exporting developing countries, liberalization, in particular the dismantling of marketing boards, has had three main consequences. First, a large number of atomized traders emerged, but many were later eliminated under intense competition, mainly due to lack of business skills but also owing to difficulties with access to finance.[23] Those that survive often have links with foreign firms. This helps them not only in market entry but also with securing finance. Secondly, the commodity sector was opened up to direct participation by foreign firms that deal with exporters, generally much smaller than themselves, and at times directly with producers. Thirdly, the elimination of import barriers affected local production and consumption patterns. In the same vein, imported processed products, mostly with well-known brand names and often sold through foreign-owned supermarkets, have made important gains in developing countries at the expense of locally produced items.

34. The elimination of import barriers in developing countries has led to considerable difficulties for the commodity-processing sectors in those countries. For example, after the liberalization of tomato concentrate imports in 1994, Senegal, which used to export the product, increased its imports from the EU from 62 tons in 1994 to 5,130 tons in 1995. In Trinidad and Tobago, local producers of primary and processed products complain of their inability to compete with imports since the implementation of the WTO obligations. Most notable were the cases of ice cream producers, vegetable farmers and pork. With the elimination of surcharges, cabbage and cauliflower imports rose, respectively, twice and by 50 times in value terms between 1997 and 1999.[24] At the same time, developing countries find it very difficult to compete with the subsidized exports of developed countries. African suppliers have lost their regional markets for meat, because they could not compete with the subsidized exports from the EU. Currently, one of the most important problems in terms of exports for Guyana is the impact of deliveries of United States PL480 rice on Guyana's share of the Jamaican market. In 1999, PL480 rice deliveries to Jamaica surged to more than 34,000 tonnes, from 13,180 tonnes in 1998, thereby taking up more than 45 per cent of that market.[24]

35. The withdrawal of Governments from the commodity sector in developing countries has facilitated the changes mentioned above at the international level. Foreign firms, in particular large ones, were able to reach deep into the production, trading and processing levels in those countries. This had far-reaching consequences for the domestic private sector, which often has to operate in an unfavourable institutional, legal and regulatory framework. In the first years of liberalization, some of the marketing activities of the former governmental marketing boards were taken over by a range of local traders. Relatively quickly, however, the traders were replaced by

international trading companies or their agents and foreign traders with easy access to finance. Some of the reasons for this are the relatively high cost of credit for the local traders and their difficulties regarding logistics and risk management activities. For example, the liberalization of the cocoa sector in West Africa has resulted in sharply increased concentration in the export sector, with a tendency for European grinders and trading houses to integrate backwards into the origins, either directly or through agent relationships. Two factors drive this concentration: the first is the trend towards bulk transportation of cocoa which necessitates collection into large shipments; and the second is access to finance.[25] Examples of dominance of mainly foreign firms with easy access to finance range from Mongolian cashmere to coffee in Burundi. In the first case, very large amounts were bought by traders acting on behalf of Chinese manufacturers who benefited from a $30 million interest-free loan provided by the Government to buy Mongolian cashmere at a price considerably higher than that afforded by local processors, leaving only small amounts to be bought by local businesses.[26] In Burundi, the number of exporters has sharply declined. Large local exporters who control most of the sales depend heaviiy on foreign finance coming indirectly from trading houses.[27] Again regarding financial constraints faced by indigenous commodity exporters, in the United Republic of Tanzania, the amount committed by two large Indian trading firms for financing cashew trade was greater than the aggregate borrowing, from local sources, of four cooperative unions and two parastatals.[28] Overall, this increased presence by foreign firms, facilitated by economic liberalization, has probably led to a fall in the percentage of the international market value of commodities retained in the country.

36. On the positive side, the most visible benefit from liberalization, in several countries, has been an increase of farmgate prices as a proportion of export price. Although an analysis covering the early years of liberalization indicated that domestic terms of trade for agriculture moved much more favourably in the "heavy intervention" countries than in "light intervention" ones,[29] there is ample anecdotal evidence in recent years illustrating an increase in farmers' earnings as a proportion of export prices. A review of the results of liberalization in the cotton sector of the United Republic of Tanzania has shown that farmers were paid promptly and in cash, real producer prices rose, and farmers enjoyed a slight increase in their share of world price. On the negative side, however, input use declined, and the quality of the product fell. The importance attached to grading was lost, and bad quality was not graded as such. Another negative consequence was the establishment of too many ginneries by traders. Excessive amounts of donor-driven cheap credit facilities contributed to this.[30] In South Africa, tobacco farmers who used to sell to the Tobacco Control Board now face a monopsonistic buyer which has squeezed their margins. Fruit farmers complain of unscrupulous agents who damaged the reputation by sending low quality apples, pears and peaches to the European markets. Farmers also miss the statistics, weather forecasts and other data that well organized boards used to supply.[31]

37. Deregulation of agriculture has also affected local food markets. After deregulation in South Africa, food prices fell by 0.3 per cent a year in real terms in 1995-1998, compared to a rise of 4 per cent a year over the previous four years. Numbers of new farm-related businesses rose from 895 in 1993 to 1,879 in 1997, with a shift, by large farmers and processors with access to finance, towards higher value horticulture and livestock farming. Farm workers lost jobs as production became more capital intensive, and black farmers did not have the resources to move to higher yielding production techniques.[32]

38. It is also argued that producers in developing countries are paid less than those in developed ones for the same product by international firms. For example, it is reported that in Brazil, the Italian firm Parmalat (which also has a 23 per cent share of the South African milk market) pays 17 cents per litre to the farmer and sells it for 52 cents to the supermarkets. In Italy, where the sales price is similar, the farmer is paid 48 cents. Although the reasons for this difference are not obvious, it is argued that the difference is due to high taxes, transport costs and inputs.[33]

2. Economies of scale, market exigencies and increasing investment costs

39. There are two principal reasons why commodity producers and processors need increasingly larger amounts of finance to compete on world markets. First, modern technological advances provide considerable economies of scale in processing, but call for large investments in processing plants. For example, large crushing facilities are considered a necessity for

competitiveness in the vegetable oils sector. Secondly, more stringent market exigencies call for ever larger investments to meet buyers' quality requirements and specifications.[34]

40. Strict health and safety regulations have been an important problem for developing country exporters for many years. For example, between 1984 and 1994 fruit and vegetables from the Caribbean and Latin America suffered approximately 14,000 detentions of tested produce by the United States Food and Drug Administration because of excess pesticide residue. Total losses resulting from these detentions reached $95 million.[35] On 31 August 1999 Japan urged meat-exporting countries to certify meat exports as having been processed using the equivalent of higher sanitation standards than Japan's. Previously, rules required meat exporters to certify that meat products had been processed in line with the exporting countries' rules.[36] In the case of fish in Latin America, the cost of upgrading the installations and processing facilities to meet Hazard Analysis Critical Control Point (HACCP) requirements is estimated at $300,000 per firm, and this requires a total of $300 million for Latin America as a whole.[37] Modern flower plantations in Ecuador are reported to require "an average initial investment of $200,000 per hectare, in addition to other requirements for success, such as highly complex technology and marketing skills, and compliance with stringent market demands.[38] These conditions are, naturally, to the disadvantage of small producers who need to either organize themselves into larger cooperative entities or seek links with foreign firms that would extend the necessary finance and know-how.

41. Although developed country firms are usually the sources for such external finance, foreign investment in the commodity chain by large companies from developing countries is also observed. Privatization of agriculture has led to an increase in foreign investment. In many cases, this investment comes from other developing countries. For example, while Chinese poultry production overtook that of Thailand as the main supplier to Asia, "the large Thai agribusiness concern Charoen Pokphand Group (CP), with $1 billion invested in a range of ventures in China, produced 300 million of the 3 billion chickens consumed by the Chinese in 1994. CP also has feed mills and chicken breeding facilities in Indonesia, Singapore, Malaysia and Taiwan."[39] Similar moves are taking place in Africa. Senwes, a former South African cooperative which was converted into a private company, became one of the biggest firms in Mozambique's cashew nut industry.[40] Successful commodity firms which diversify into other commodity sectors in their own countries have also been instrumental in developing modern commodity production and marketing operations. In Brazil, for instance, the poultry sector giants Sadia and Perdigão are investing in seafood distribution and aquaculture.[41]

42. Large investments by Governments are also necessary to meet market exigencies. Although such investments often take the form of institutional and technical support, direct investment may be necessary as well. In Argentina, for example, in order to be designated as "zero risk" for foot-and-mouth disease and to gain access to developed country markets, "a seven-year $600 million campaign entailing the vaccination of the entire cattle herd was undertaken, partly financed by the Inter-American Development Bank. Only after having been declared free of the disease did the public and private sectors join forces to promote beef sales abroad.[42]

C. Retail markets of importing countries

43. A large part of world commodity trade is in bulk products that go through considerable transformation before reaching consumers. For these commodities, changes in the retail markets of importing countries have little influence. For many dynamic food products, however, there seems to be general agreement that the single most influential factor in changing conditions of supply and demand has been the growth of the modern retailing sector, in particular, supermarkets.[43] For exporters of such "non-traditional" commodities as fresh fruit and vegetables, large retailers have provided important market access channels. Links with supermarkets provide producers with access to a growing market as well as incentives to improve quality and efficiency. Nevertheless, for many producers and exporters, this is obtained at the expense of dependence on a single supermarket or importer in a given country for marketing, product innovation and technical assistance.

44. An important consequence of the growth and internationalization of supermarkets has been increasing global brand-name recognition. As product attributes become more and more psychological, the

importance of expenditures on advertising and related activities is increasing. This puts developing country traders at a disadvantage and contributes to the concentration in the commodity economy. Difficulties are almost insurmountable for developing country exporters to differentiate their products and establish new brand names to compete with the existing globally accepted ones. Success stories from developing countries in this respect are very rare. Opportunities may be easier in areas where the attributes remain more "generic", such as organic products, which currently enjoy rapidly growing demand.

IV. Recent developments in international cooperation on commodities

45. The past two years have witnessed the termination of two international commodity agreements — namely the 1989 International Agreement on Jute and Jute Products, and the 1995 International Natural Rubber Agreement. On 17 December 1999, a decision was taken to liquidate the International Natural Rubber Organization (INRO), and on 11 April 2000, the process of liquidation of the Jute Organization began. However, for two other international commodity agreements — namely, the International Coffee Agreement, 1994, and the International Cocoa Agreement, 1993 — which are due to expire in 2001, intensive negotiations are taking place with a view to establishing successor agreements, providing, inter alia, for active participation of the private sector in their activities.

46. With the expiration of the Lomé Agreement in 2000, its compensatory financing mechanisms for short-term fluctuation in export earnings, Stabex and Sysmin, and its commodity protocols (except for sugar) were terminated. The Cotonou Agreement, signed in June 2000, which replaced it, merged Stabex and Sysmin resources in a special account, to be used by individual countries, aimed at offsetting both agricultural and mineral export-earning shortfalls. Also in 2000, the International Monetary Fund (IMF) Compensatory and Contingency Financing Facility (CCFF) and the Buffer Stock Financing Facility (BSFF) were reviewed. In April 2000, the International Monetary and Financial Committee of the Board of Governors of IMF endorsed the Board's decisions to simplify the range of IMF facilities. Among the measures considered was the elimination of four facilities, including BSFF, which has not been used in the past 16 years, and the contingency element of CCFF.

V. Conclusions

47. There is a clear link between poverty and dependence on commodities. Efforts aiming at reducing poverty would, therefore, have to attach due importance to commodity issues. In this respect, the revival of international cooperation in commodities, within a new market-based framework, is called for.

48. The negotiations on agriculture within the WTO need to take the above aspects fully into account. The key market access problems faced by commodity exporters should be urgently addressed, with the elimination of tariff peaks and tariff escalation, placing agricultural commodities on the same footing as other products in the international trading system and ending trade-distorting agricultural support measures by developed countries.

49. However, improved access to markets is not sufficient by itself. Enhanced financial and technical assistance is required for addressing supply-side constraints, which affect particularly the least developed countries. This assistance should aim at productivity, marketing and quality improvements. Support measures are also required for developing countries dependent on the imports of essential commodities.

50. The activities of producer/consumer commodity bodies are crucial for improving market transparency and exchange of information and experiences. It would be desirable to strengthen their effectiveness by both widening their scope of activities and ensuring the participation of all stakeholders. It would also be desirable to establish the means for international cooperation on commodities not covered by existing producer/consumer bodies. The activities of the Second Account of the Common Fund for Commodities should be expanded and increased funding made available to it to finance research and development and extension services in developing countries and adaptive research on production and processing aimed particularly at smallholders and small- and medium-sized enterprises in developing countries.

Notes

[1] "Proportion between export prices and consumer prices of selected commodities exported by developing countries" (TD/184/Supp.3), May 1976.

[2] J. Morisset, "Unfair trade? The increasing gap between world and domestic prices in commodity markets during the past 25 years", *World Bank Economic Review*, vol. 12, No. 3 (1998), and UNCTAD secretariat calculations regarding the coffee market.

[3] Apart from the "traditional" commodities, the large margin between producer prices in exporting countries and retail prices is also observed in fruits and vegetables. For example, in 1994, "US shoppers spent an average of $3.99 per pound on snow peas, and producers in Guatemala received about 18 cents per pound; for mangoes, the US consumer spent 99 cents per pound, and the producer received about 8 cents". L. A. Thrupp, *Bittersweet Harvests for Global Supermarkets: Challenges to Latin America's Agricultural Export Boom* (Washington, D.C., World Resources Institute, 1995), pp. 77-81.

[4] The increasing divergence between prices received by producers and prices paid by consumers is observed not only in internationally traded products but also in domestic products. For example, in the United States, since 1984 the real market price of a market basket of food has increased by 2.8 per cent, while the farm value of that food has fallen by 35.7 per cent. S. Murphy, "Market power in agricultural markets: Some issues for developing countries", South Centre, Working Paper No. 6 (November 1999), p. 20.

[5] For instance, exported cars are often assembled from imported parts. Some of these parts may, in turn, have been assembled from imported pieces. The shares of cars, motor vehicle parts and internal combustion engines in international trade are, respectively, 5 per cent, 2.5 per cent, and 1 per cent. Simply adding these up exaggerates the relative importance of car-related items and consequently reduces that of other products, such as commodities for which such double-counting is much less significant.

[6] IFPRI, "Are we ready for a meat revolution?", *News & Views* (March 1999) p. 6.

[7] See M. Rosegrant and C. Ringler, "Asian economic crisis and the long-term global food situation", *Food Policy*, vol. 25 (2000), pp. 243-254.

[8] The share of Asia (excluding China and West Asia) as importer of food products had risen from 7.1 per cent in 1980 to 10.8 per cent in 1995. The corresponding increase for agricultural raw materials was from 10.5 per cent to 16.5 per cent. The most striking rise was for ores and metals, where the share of world imports going to the region increased more than threefold, from 5.1 per cent to 16.1 per cent.

[9] See P. Crowson, *Inside Mining* (London, Journal Books, 1998), for a longer perspective on intensity of use for metals.

[10] The increase in the rate of recycling has been most striking for lead, where the proportion of refined production coming from scrap increased from 30 per cent in 1976 to 48 per cent in 1997, and for aluminium, where the proportion of recycled material in production rose from under 18 per cent to 25 per cent over the same period. See World Bureau of Metal Statistics, *World Metal Statistics*, various issues.

[11] World Bank, *World Development Report*, various editions.

[12] *The Economist* (17 June 2000), p. 132.

[13] OECD, *Agricultural Policies in OECD Countries, Monitoring and Evaluation, 2000* (Paris, 1999), p. 34.

[14] Figures concerning OECD agricultural support are from OECD, *Agricultural Policies in OECD Countries: Monitoring and Evaluation, 2000* (Paris, 2000).

[15] WTO, *Annual Report 1999* (Geneva, 1999), table II.2.

[16] Annual press releases by Metals Economics Group, Halifax, Canada.

[17] From 1975 to 1998, developing countries' share of world production of aluminum increased from 9.7 per cent to 31.9 per cent; that of copper, from 23.8 per cent to 41.1 per cent; that of lead, from 15.4 per cent to 30.2 per cent; that of nickel, from 19.4 per cent to 24.7 per cent; and that of zinc, from 14.7 per cent to 38 per cent. See World Bureau of Metal Statistics, *World Metals Statistics*, various issues.

[18] J. D. Burch Goss, and R. Rickson, "Agri-food restructuring and third world transnationals: Thailand, the CP Group and the global shrimp industry", *World Development*, vol.28, No. 3, pp. 522-523.

[19] "Business this week", *The Economist* (8 July 2000), p. 29.

[20] "Commodities get big", *The Economist* (28 August 1999), p. 49.

[21] S. Murphy, op. cit.

[22] Improved logistics also allows large firms to buy increasingly on a "hand-to-mouth" basis, thus reducing the cost of holding stocks and shifting the burden of such finance backwards. Chocolate companies, for example, which used to hold inventories covering a year or more, have reduced this coverage to as little as four months. See M. Mosser, "Hot commodities", *Futures* (May 1999), vol. 28, No. 5.

[23] It should be noted that this atomization is not reflected in the developed countries. For example, the Canadian and Australian wheat boards (in Australia it has been privatized into Australian Wheat Board Ltd.) account for about one third of world wheat exports. The Canadian board is a monopoly; all farmers must sell their wheat and barley through it. It supplies 21 per cent of the world wheat market and 22 per cent of the world barley market. The New Zealand Dairy Board handles about 30 per cent of world dairy exports. S. Murphy, op. cit., pp. 6-7.

[24] Country presentation to the UNCTAD Expert Meeting on the Impact of the Reform Process in Agriculture, Geneva, 24-26 July 2000.

[25] Christopher L. Gilbert, *Cocoa market liberalization, its effects on quality, futures trading and prices* (London, Cocoa Association, 1997).

[26] "The cashmere crash", *The Economist* (14 August 1999), p. 55.

[27] C. Ndayikenguruts, "Incidences de l'évolution des structures des marchés de l'offre et de la demande du café au Burundi", paper prepared for the UNCTAD Expert Meeting on the Impact of Changing Supply and Demand Market Structures on Commodity Prices and Exports of Major Interest to Developing Countries, Geneva, 7-9 July 1999.

[28] N. Mwase, "Economic liberalization and privatization of agricultural marketing and input supply in Tanzania: A case study of cashewnuts", African Economic Research Consortium, *AERC Research Paper 86*, Nairobi, November 1998.

[29] UNCTAD, *Trade and Development Report* (Geneva, 1999), p. 162.

[30] Gibbon, "Free competition without sustainable development? Tanzanian cotton sector liberalization, 1994/95 to 1997/98" *Journal of Development Studies*, vol. 36, No. 1 (October 1999).

[31] "The Boers' brave new world", *The Economist* (20 November 1999), p. 98.

[32] Ibid.

[33] "Brazil: Intermediaries take the biggest bite", *SUNS* (19 October 1999), p. 7.

[34] For stringent market requirements, see UNCTAD, "Opportunities for vertical diversification in the food processing sector in developing countries" (TD/B/COM.1/EM.2/2), 23 June 1997.

[35] J. Hukportie, "Opportunities and niches for high-value income-elastic commodity production and trade", UNCTAD, February 1997, p. 66.

[36] *Bridges*, vol. 3, No. 35 (6 September 1999).

[37] Investments were realized by the companies without benefiting from any official subsidy (as did, for instance, EU enterprises). See R. C. Wiefels, "The case of Latin American fishery sector", prepared for the UNCTAD Expert Meeting on the Impact of Changing Supply and Demand Market Structures on Commodity Prices and Exports of Major Interest to Developing Countries, Geneva, 7-9 July 1999, p. 2.

[38] L. A. Thrupp, *Bittersweet Harvests for Global Supermarkets: Challenges in Latin America's Agricultural Export Boom* (Washington, D.C., World Resources Institute, 1995), p. 39.

[39] Philip McMichael, "A global interpretation of the rise of the East Asian food import complex", *World Development*, vol. 28, No. 3, p. 417.

[40] "The Boers' brave new world", *The Economist* (20 November 1999).

[41] R. C. Wiefels, op. cit.

[42] World Trade Organization, "Trade Policy Review: Argentina" (WT/TPR/S/47), pp. 109-110.

[43] OECD, "Vertical coordination in the fruit and vegetable sector: implications for existing market institutions and policy instruments", Working paper, No. 32 (Paris, 1997), p. 9.

Table 1

Current and deflated (by unit value of manufactures exported by developed countries) price indices for commodity groups, 1970-2000

1979-1981 = 100

Year	Combined index		Tropical beverages		Basic foods		Vegetable oilseeds		Agric. raw materials		Minerals, ores, metals	
	Current	*Deflated*	*Current*	*Deflated*	*Current*	*Deflated*	*Current*	*Deflated*	*Current*	*Deflated*	*Current*	*Deflated*
1970	36.5	101.9	32.6	91.0	31.7	88.6	44.8	125.0	33.2	92.6	47.9	133.9
1979	89.9	94.9	110.9	117.0	75.4	79.6	111.9	118.1	98.7	104.2	97.4	102.8
1980	114.9	109.1	103.8	98.6	124.8	118.5	97.0	92.1	108.2	102.8	109.0	103.6
1981	95.3	95.3	85.3	85.3	99.8	99.8	91.2	91.2	93.2	93.2	93.6	93.6
1982	75.0	77.4	80.9	83.6	68.1	70.3	73.8	76.2	79.7	82.3	83.5	86.2
1983	79.7	86.1	84.5	91.2	71.8	77.5	88.7	95.7	85.3	92.0	87.4	94.3
1984	76.4	84.3	96.8	106.9	60.3	66.6	119.3	131.8	86.8	95.9	80.4	88.8
1985	67.6	74.6	88.0	97.2	52.0	57.4	82.9	91.5	78.9	87.2	77.3	85.4
1986	70.3	64.8	109.1	100.6	57.2	52.8	51.4	47.4	81.3	75.0	74.2	68.5
1987	72.3	58.7	71.3	57.9	60.8	49.4	60.5	49.1	95.5	77.6	85.8	69.7
1988	91.2	69.9	72.1	55.3	79.0	60.5	79.6	61.0	102.6	78.6	125.3	96.0
1989	91.9	71.0	61.6	47.6	83.7	64.7	70.4	54.4	104.2	80.5	125.3	96.7
1990	87.2	60.9	54.5	38.1	78.5	54.8	61.3	42.8	112.1	78.3	114.4	79.9
1991	81.1	56.6	50.1	35.0	73.3	51.2	66.3	46.3	105.8	73.9	103.6	72.4
1992	78.4	53.2	43.1	29.3	71.8	48.7	71.3	48.4	102.6	69.6	99.7	67.7
1993	75.0	54.0	45.7	32.9	72.3	52.0	71.3	51.3	95.5	68.8	84.3	60.7
1994	88.5	61.8	80.1	55.9	79.5	55.6	88.7	61.9	110.5	77.2	95.9	67.0
1995	97.3	62.0	80.9	51.6	84.2	53.7	97.8	62.3	127.1	81.0	115.2	73.5
1996	93.2	61.5	68.6	45.3	89.9	59.3	93.6	61.8	114.5	75.5	101.3	66.8
1997	93.2	66.1	91.5	64.9	86.8	61.6	92.8	65.8	102.6	72.8	101.3	71.8
1998	81.1	57.9	75.7	54.0	74.9	53.5	99.4	71.0	91.6	65.4	85.1	60.8
1999	69.6	50.5	59.8	43.4	61.4	44.5	76.2	55.3	82.1	59.5	83.5	60.6
2000 (I-VI)	*70.9*		*55.4*		*61.9*		*63.8*		*78.9*		*93.6*	
			Average annual rate of exponential growth 1970-1999 (percentage)									
		-3.0		-3.4		-3.4		-3.6		-1.7		-2.3
			Share of developing countries in world exports (percentage)									
	1970-72	31.5		69.0		25.4		33.5		32.3		30.9
	1996-97	26.9		52.2		27.0		43.9		18.5		25.3
			Share in total commodity exports of developing countries (percentage)									
	1970-72	100.0		17.5		33.3		6.4		18.7		24.1
	1996-97	100.0		13.0		44.7		11.2		10.6		20.5

Table 2
Distribution of world commodity trade, 1970-1972, 1980-1982, 1990-1992, 1996-1997

	Value[a]								Percentage							
	Exports				Imports				Exports				Imports			
	1970-72	1980-82	1990-92	1996-97	1970-72	1980-82	1990-92	1996-97	1970-72	1980-82	1990-92	1996-97	1970-72	1980-82	1990-92	1996-97
World total	**91 978**	**351 200**	**533 714**	**743 237**	**102 339**	**391 903**	**591 988**	**802 124**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Developed market economy (DMEc) countries	**54 066**	**224 168**	**364 983**	**483 705**	**76 968**	**258 226**	**427 679**	**533 324**	**58.8**	**63.8**	**68.4**	**65.1**	**75.2**	**65.9**	**72.2**	**66.5**
United States	11 431	55 419	68 537	91 121	12 123	35 810	53 263	80 139	12.4	15.8	12.8	12.3	11.8	9.1	9.0	10.0
Japan	1 003	3 663	5 005	9 089	10 682	40 822	71 518	89 961	1.1	1.0	0.9	1.2	10.4	10.4	12.1	11.2
EU (15)	25 982	112 366	215 233	275 963	47 166	157 376	269 729	318 081	28.2	32.0	40.3	37.1	46.1	40.2	45.6	39.7
Other DME countries	15 650	52 720	76 208	107 532	6 997	24 218	33 169	45 143	17.0	15.0	14.3	14.5	6.8	6.2	5.6	5.6
Central and Eastern Europe	**7 479**	**19 822**	**19 395**	**35 106**	**9 296**	**39 677**	**29 395**	**38 750**	**8.1**	**5.6**	**3.6**	**4.7**	**9.1**	**10.1**	**5.0**	**4.8**
Developing countries	**30 433**	**102 082**	**149 336**	**224 426**	**16 075**	**86 597**	**134 914**	**230 052**	**33.1**	**29.1**	**28.0**	**30.2**	**15.7**	**22.1**	**22.8**	**28.7**
Developing countries, less China and former socialist countries of Asia	28 972	97 724	135 715	205 842	14 691	79 827	125 192	208 526	31.5	27.8	25.4	27.7	14.4	20.4	21.1	26.0
Developing countries, less China, former socialist countries of Asia and former USSR countries of Asia	28 972	97 724	135 715	200 293	14 691	79 827	125 192	202 604	31.5	27.8	25.4	26.9	14.4	20.4	21.1	25.3
Africa	7 867	17 600	17 507	22 427	2 792	18 364	18 835	22 787	8.6	5.0	3.3	3.0	2.7	4.7	3.2	2.8
Sub-Saharan Africa	6 228	14 341	14 052	18 389	1 578	8 340	8 048	9 688	6.8	4.1	2.6	2.5	1.5	2.1	1.4	1.2
Asia	9 861	36 919	72 728	109 975	8 623	46 340	90 917	160 265	10.7	10.5	13.6	14.8	8.4	11.8	15.4	20.0
of which: China	1 284	4 358	11 882	18 584	908	6 770	8 830	21 526	1.4	1.2	2.2	2.5	0.9	1.7	1.5	2.7
India	997	3 316	4 667	8 095	776	2 336	3 005	5 860	1.1	0.9	0.9	1.1	0.8	0.6	0.5	0.7
ASEAN	4 224	21 460	29 894	36 261	1 732	9 236	20 095	30 715	4.6	6.1	5.6	4.9	1.7	2.4	3.4	3.8
Latin America	11 661	43 650	54 906	86 902	3 618	18 378	21 378	41 074	12.7	12.4	10.3	11.7	3.5	4.7	3.6	5.1
Europe	703	2 281	2 300	2 965	833	2 802	2 879	4 590	0.8	0.6	0.4	0.4	0.8	0.7	0.5	0.6
Oceania	341	1 632	1 895	2 159	208	713	904	1 336	0.4	0.5	0.4	0.3	0.2	0.2	0.2	0.2
Memo items:														0.0		
Manufactures exporters	8 313	38 413	59 468	87 452	5 318	30 587	65 510	112 908	9.0	10.9	11.1	11.8	5.2	7.8	11.1	14.1
ACP countries	7 751	18 101	18 518	23 187	2 195	10 245	10 309	12 389	8.4	5.2	3.5	3.1	2.1	2.6	1.7	1.5
Least developed countries	4 364	8 814	7 722	8 913	1 264	5 068	6 184	7 075	4.7	2.5	1.4	1.2	1.2	1.3	1.0	0.9

[a] Millions of United States dollars.

Table 3
Shares of cocoa-producing and cocoa-importing countries in world exports
(Percentage)

Product	*1984-1985*	*1994-1995*	*1997-1998*
Cocoa beans			
Producing	93	93	90
Importing	7	7	10
Cocoa liquor			
Producing	77	36	44
Importing	23	64	56
Cocoa butter			
Producing	43	40	38
Importing	57	60	62
Cocoa powder, cake			
Producing	41	33	29
Importing	59	67	71
Chocolate and chocolate products			
Producing	4	2	4
Importing	96	98	96

Table 4
Trade trends in chocolate and chocolate products
(Thousands of metric tons)

Country		*1990-1991*	*1997-1998*	*Percentage change*
Belgium/Luxembourg	Imports	59	88	49
	Exports	150	247	65
France	Imports	161	265	65
	Exports	116	218	88
Germany	Imports	183	285	56
	Exports	159	367	131
Italy	Imports	40	52	30
	Exports	63	81	29
Netherlands	Imports	80	81	1
	Exports	182	165	-9
Spain	Imports	17	54	218
	Exports	5	55	1 000
Switzerland	Imports	21	17	-19
	Exports	45	72	60
United Kingdom	Imports	134	146	9
	Exports	106	146	38
United States	Imports	119	195	64
	Exports	58	114	97
Côte d'Ivoire	Exports	6	5	-17
Brazil	Imports	-	19	Very large, from 1996-1997
	Exports	20	21	5